

Message Text

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PAGE 01 PEKING 01577 01 OF 02 190448Z

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ACTION EA-09

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TO SECSTATE WASHDC 4266

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SECTION 1 OF 2 PEKING 1577

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SUBJECT: U.S. BUSINESS VISITORS IN JULY AND THROUGH MIDAUGUST

REF: PEKING 1226 AND PREVIOUS

SUMMARY AND INTRODUCTION: AFTER A DULL FIRST THREE WEEKS OF JULY, THE NUMBER OF BUSINESS VISITORS TO PEKING PICKED UP MARKEDLY IN THE FINAL WEEK AND THE UPSURGE HAS CONTINUED THROUGH THE FIRST TWO WEEKS OF AUGUST. AMONG U.S. FIRMS HERE ON NEW BUSINESS WERE CATERPILLAR TRACTOR WHICH SOLD \$2.3 MILLION OF PIPELAYERS, STEWART AND STEVENSON WHICH CONDUCTED NEGOTIATIONS ON OIL FIELD FRACTURING EQUIPMENT, AND UNIVERSAL OIL PRODUCTS WHICH CONTINUED TALKS ON THE SALE OF A COMPLETE PARAXYLENE PLANT.

SEVERAL OTHER IMPORTANT U.S. COMPANIES RETURNED TO PEKING IN CONNECTION WITH CONTRACTS SIGNED DURING THE PAST TWO YEARS. THESE INCLUDED BYCIRUS-ERIE, EXXON, TECHNICOLOR, AND M.W. KELLOGG WHICH IN ADDITION TO IMPLEMENT-

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PAGE 02 PEKING 01577 01 OF 02 190448Z

ING PAST COMMITMENTS MAY SOON BEGIN NEGOTIATIONS ON FUR-

THER PLANT SALES TO CHINA (PEKING 1075).

JULY ALSO WITNESSED THE HIGHLY
SUCCESSFUL VISIT OF THE
ELECTRONIC INDUSTRIES ASSOCIATION, THE FIRST SPECIALIZED
U.S. INDUSTRY GROUP TO COME TO PEKING (PEKING1079), AND
THE FIRST PRC SILK PRODUCTS MINI-FAIR TO BE HELD IN TALIAN.
THE LATTER
WAS ATTENDED BY FIVE AMERICAN FIRMS (PEKING 1449).

REPRESENTATIVES OF A NUMBER OF SMALLER U.S. FIRMS ALSO
VISITED PEKING WITH INTERESTS RANGING FROM BUYING LOW GRADE
WINDOW GLASS TO SELLING SWIMMING POOL EQUIPMENT.
THIS MESSAGE CONTAINS COMMERCIALY-SENSITIVE MATERIAL.
END SUMMARY AND INTRODUCTION

1. CATERPILLAR - THE MAJOR NEW U.S. SALE DURING
THE REPORTING PERIOD WAS A \$2.3 MILLION EXPORT ORDER BOOK-
ED BY FIVE CATERPILLAR NEGOTIATORS (LED BY VICE PRESIDENT
D.R. LAMMERS) DURING A TWO WEEK STAY IN PEKING. THE ORDER
WAS FOR 23 LARGE PIPE LAYING VEHICLES, AND THE SPEED
WITH WHICH THE NEGOTIATIONS WERE CONCLUDED REFLECTED CHINESE
URGENCY TO TAKE DELIVERY ON THE EQUIPMENT. THE CHINA NA-
TIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX)
STRESSED ITS DESIRE FOR EARLY DELIVERY TO CATERPILLAR, AND
SUBSEQUENTLY A MACHIMPEX OFFICIAL TOLD A USLO OFFICER HE
WAS DISAPPOINTED THAT WHILE SOME OF THE VEHICLES WILL
BE DELIVERED THIS YEAR, THE REST WILL NOT BE SHIPPED
UNTIL 1976.

2. STEWARD AND STEVENSON - A STILL LARGER SALE OF U.S.
MACHINERY IS UNDER NEGOTIATION BETWEEN THIS U.S.
EXPORTER OF OIL WELL FRACTURING EQUIPMENT AND THE CHINA
NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT).
STEWART AND STEVENSON'S CARSEY MANNING AND E.E. CHILDRESS
BEGAN TALKS IN EARLY JULY ON THE SALE OF THREE SETS OF HIGH
PRESSURE FRACTURING PUMPS (FOUR ONE-THOUSAND HP PUMPS IN
TANDEM PER SET) TO THE PRC. THE TECHNICAL NEGOTIATIONS
WERE MADE DIFFICULT BY TECHIMPORT'S UNWILLINGNESS TO PRO-
VIDE INFORMATION ON THE CONDITIONS UNDER WHICH THE EQUIP-
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PAGE 03 PEKING 01577 01 OF 02 190448Z

MENT WILL BE USED AND REFUSAL TO PERMIT STEWART AND STEVEN-
SON TECHNICIANS TO PARTICIPATE IN INSTALLATION. THE TYPE
OF EQUIPMENT UNDER DISCUSSION WOULD BE FOR BLASTING APART
VERY TIGHT UNDERGROUND FORMATION AT DEPTHS OF 10,000 FEET
OR MORE. THE FINAL PHASE OF CONTRACT NEGOTIATION NOW AP-
PEARS CLOSE TO CONCLUSION. TOTAL PRICE WILL BE AROUND \$6
MILLION.

3. M.W. KELLOGG - AT THE END OF JULY, M.W. KELLOGG SENT FOUR MORE TECHNICIANS FROM DELEVAL TURBINE DIVISION AND DRESSER INDUSTRIES COMPRESSOR DIVISION TO INSTALL, AND SOLVE PROBLEMS IN CONNECTION WITH, EQUIPMENT SUPPLIED KELLOGG BY THEIR FIRMS. TWO TECHNICIANS WENT TO THE SITE IN NACHI, SZECHWAN AND TWO TO TACHING, HEILUNGKIANG, WHERE THEY EXPECT TO STAY ABOUT THREE MONTHS.

4. A SECOND GROUP ARRIVED AUGUST 8 TO VISIT ALL THREE KELLOGG PLANT SITES TO TRY TO RESOLVE PROBLEMS IN CONNECTION WITH MISHANDLING OF KELLOGG EQUIPMENT BY CHINESE TECHNICIANS. ON THE RETURN OF THIS GROUP TO PEKING, KELLOGG MAY BEGIN NEGOTIATIONS ON THE SALE OF EIGHT ADDITIONAL AMMONIA PLANTS TO THE PRC. (PEKING 1075).

5. UNIVERSAL OIL PRODUCTS - W.R. SEDELACEK AND THREE OTHER UOP REPRESENTATIVES RETURNED TO PEKING IN EARLY JULY FOR YET ANOTHER ROUND OF TALKS ON THE SALE OF AN ISOMAR PAREX PLANT TO PRODUCE PARAXYLENE (SEE PEKING 342 AND PREVIOUS). AFTER OVER FOUR WEEKS OF TOUGH CONTRACT DISCUSSIONS, THE UOP TEAM BELIEVES ANOTHER FOUR TO SIX WEEKS OF TALKS WILL BE REQUIRED BEFORE THESE PROTRACTED NEGOTIATIONS CAN BE WOUND UP. ACCORDING TO SEDELACEK UOP NOW HOPES TO REPLACE ITS PRESENT GROUP WITH A FRESH TEAM OF EXECUTIVES AND ENGINEERS WHO WILL COMPLETE THE NEGOTIATIONS. UOP HAS SEVERAL OTHER PROJECTS UNDER ACTIVE NEGOTIATION WITH TECHIMPORT (PEKING 342) AND SOME TIME HAS ALSO BEEN SPENT DISCUSSING THESE PROJECTS DURING THIS VISIT.

6. EXXON - MEL SEARLS AND HIS REPLACEMENT AT EXXON'S HONG KONG OFFICE, EDWIN KETCHUM, MADE INTRODUCTORY CALLS LIMITED OFFICIAL USE

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PAGE 04 PEKING 01577 01 OF 02 190448Z

ON TRADE ORGANIZATIONS IN PEKING FROM JULY 27 TO AUGUST 1. EXXON HAS CONTRACTS WITH THE CHINA NATIONAL FOREIGN TRADE TRANSPORTATION CORPORATION AND THE CHINA OCEAN SHIPPING COMPANY TO BUNKER PRC SHIPS IN THIRD COUNTRIES, AND WOULD NOW LIKE TO REACH AN AGREEMENT WITH CAAC ON SUPPLY OF JET FUEL IN JAPAN. AFTER HIS TALKS WITH SHIPPING OFFICIALS, SEARLS FELT CERTAIN HIS BUNKERING CONTRACTS WOULD BE RENEWED WHEN THEY EXPIRE AT THE BEGINNING OF NEXT YEAR, BUT NO AGREEMENT WAS REACHED WITH CAAC.

7. SEARLS AND KETCHUM ALSO CALLED ON SINOCHEM TO DISCUSS EXXON'S INTEREST IN TRADE IN OTHER CHINESE PETROLEUM PRODUCTS. DURING THE CALL THE CHINESE RENEWED THEIR 1974 OFFER TO SUPPLY EXXON WITH CRUDE (STRESSING SHENGLI CRUDE), BUT SEARLS AGAIN REJECTED BECAUSE HIS FIRM IS

OVERSUPPLIED WITH OIL FROM THE MIDDLE EAST. (HE ALSO NOT-
ED TO USLO THE LOW QUALITY OF SHENGLI CRUDE). IN ADDITION,
IN HIS NEW CAPACITY AS VICE PRESIDENT OF THE NATIONAL
COUNCIL FOR U.S.-CHINA TRADE, SEARLS MET WITH
CCPIT DEPUTY GENERAL MANAGER LI CHUAN TO DISCUSS THE COUN-
CIL'S FORTHCOMING VISIT TO THE U.S. (PEKING 1347).

8. TECHNICOLOR - MANAGING ENGINEER P.J. WARREN AND
THREE BRITISH ASSOCIATES VISITED PEKING IN JULY TO RE-

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PAGE 01 PEKING 01577 02 OF 02 192158Z

70

ACTION EA-09

INFO OCT-01 ISO-00 NSCE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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FM USLO PEKING

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INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE SECTION 2 OF 2 PEKING 01577

VIEW CHINESE PROGRESS IN CONSTRUCTING A BUILDING TO
HOUSE A MOTION PICTURE FILM PROCESSING PLANT PURCHASED
FROM TECHNICOLOR'S U.K. SUBSIDIARY, T.K., LTD., IN 1973,
(PEKING 570, 1973). UNDER THE CON-
TRACT EQUIPMENT, TRAIN-
ING AND TECHNICAL SERVICES WILL BE PROVIDED BY TK LTD.,
BUT TECHNICOLOR U.S. WILL RECEIVE PROFITS AND A TECHNOL-
OGY FEE OF ABOUT \$1 MILLION.

9. ACCORDING TO WARREN, WORK ON EZ BUILDING HAS BEEN COMPLETED WELL AHEAD OF SCHEDULE AND THE CHINESE ARE NOW READY TO BEGIN INSTALLING THE EQUIPMENT. WARREN AND A BRITISH ENGINEER WILL RETURN TO PEKING IN SEPTEMBER AND WILL REMAIN FOR ABOUT ONE YEAR TO SUPERVISE THE INSTALLATION. OTHER U.K. TECHNICIANS WILL BE BROUGHT IN FOR SHORTER PERIODS AS THEIR SKILLS ARE REQUIRED. WAR-

EN HAD HIGH PRAISE FOR THE CHINESE CONSTRUCTION EFFORT
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PAGE 02 PEKING 01577 02 OF 02 192158Z

BUT EXPRESSED SOME CONCERN ABOUT THE PROFICIENCY OF THE PRC TECHNICIANS WHO WILL HAVE TO INSTALL AND OPERATE THE PLANT.

10. BUCYRUS-ERIE - CHINA TRADE CONSULTANT, C.J. WANG, AND A TEAM OF BUCYRUS-ERIE ENGINEERS RETURNED TO PEKING FROM AN SHAN WHERE THEY DISCUSSED TECHNICAL PROBLEMS ENCOUNTERED BY THE CHINESE IN ERECTING BLAST-HOLE DRILLS PURCHASED FROM THE COMPANY LAST YEAR. THE DRILLS ARE BEING INSTALLED AT IRON MINES NEAR THE CITY. ALTHOUGH CHINESE WORK CREWS WERE ABLE TO ERECT THE FIRST TWO DRILLS IN RECORD TIME, WANG SAID THEY ENCOUNTERED TECHNICAL PROBLEMS WHICH NECESSITATED DIRECT TALKS WITH THE SUPPLIER. ONE OF THE MEMBERS OF THE BE TEAM STAYED BEHIND TO ADVISE ON FUTURE INSTALLATION. WHILE IN PEKING, WANG ALSO HAD TALKS WITH MACHIMPEX ON BEHALF OF TWO OTHER CLIENTS, WABCO AND REED TOOL.

11. ASBURY GRAPHITE - ASBURY'S AGENT, W.K. SZETO OF SCRANTRON LTD., HONG KONG, CALLED ON USLO AUGUST 6 BEFORE DEPARTING FOR TSINGTAO FOR TALKS WITH MINEMETALS ON HIS PRINCIPALS' BEHALF. RETURNING TO PEKING AUGUST 17, HE INFORMED US THAT HE HAD SUCCESSFULLY CONCLUDED A NUMBER OF PURCHASES FOR ASBURY. WE ESTIMATE THEIR TOTAL VALUE IS IN THE VICINITY OF \$500,000.

12. NORTHWEST ORIENT AIRLINES - BRUCE M. SMITH, NWA'S HONG KONG AND SE ASIA MANAGER, VISITED PEKING THE WEEK OF AUGUST 11 AS PART OF A TOUR GROUP SPONSORED BY CHINA INTERNATIONAL TRAVEL SERVICE (CITS). HIS ATTEMPTS TO TALK BUSINESS WITH CHINESE OFFICIALS DURING HIS VISIT WERE UNSUCCESSFUL.

13. WOLVERINE WORLD-WIDE AND VERDE SHOES - THOMAS GLEASON OF THESE TWO RELATED FIRMS VISITED PEKING JULY 26 TO JULY 2 IN CONNECTION WITH THE PURCHASE OF LEATHER SHOES. RESULTS OF HIS DISCUSSIONS WITH LIGHT INDUSTRY ARE NOT KNOWN.

14. MAY KNITTING CO., INC. - MR. AND MRS. HAROLD ROV-
INS OF THIS FIRM VISITED PEKING AND SHANGHAI IN EARLY
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PAGE 03 PEKING 01577 02 OF 02 192158Z

JULY TO BUY KNIT GOODS AND OTHER TEXTILES. THEY WERE
ALLOWED TO VISIT THE FACTORY IN SHANGHAI WHICH PRODUCES
FOR THEM INORDER TO SOLVE SOME PRODUCTION PROBLEMS.

15. NORMAN GOLDSTEIN ASSOCIATES, INC. - ON HIS SEC-
OND VISIT TO CHINA, NORMAN GOLDSTEIN, OF THIS NEW YORK
FIRM, VISITED TALIEEN AND PEKING AT THE INVITATION OF THE
LIGHT INDUSTRIAL PRODUCTS CORPORATION. AN IMPORTER OF
LOW-GRADE WINDOW GLASS, GOLDSTEIN REACHED A TENTA-
TIVE PURCHASE AGREEMENT WITH LIGHT INDUSTRIES'S TALIEEN
BRANCH ONLY TO HAVE IT REVERSED BY THE PEKING HEAD OF-
FICE. AFTER A WEEK OF HARD BARGAINING HERE GOLDSTEIN
DOUBTED HE WOULD BE ABLE TO CONCLUDE A DEAL WORTH
\$30,000.

16. FRANKLIN INTERNATIONAL - AFTER RECEIVING GOOD CUS-
TOMER RESPONSE TO THEIR TRIAL MARKETING IN THE U.S. OF
800 CASES OF YU CHUAN BEER, TWO
HONG KONG REPRESENTATIVES OF THIS FIRM VISITED PEKING
IN HOPES OF PLACING A SECOND ORDER FOR 2,400 CASES (WORTH
\$9,000), ACCORDING TO EUGENIO GILI WHOSE HONG KONG
FIRM LATINASIA LTD. SIGNED THE ORIGINAL CONTRACT ON
FRANKLIN'S BEHALF. FRANKLIN EVENTUALLY HOPES TO IMPORT
3,200 CASES OF YU CHUAN A MONTH THOUGH
BUSINESS IS STILL IN A VERY PRELIMINARY STAGE.
GILI SPENT MOST OF HIS TIME DISCUSSING PROBLEMS OF
PACKAGING, LABELING AND OTHER U.S. REGULATIONS WITH
CEROILFOOD. YU CHUAN IS MADE AT THE PEKING BREWERY
(WHICH ALSO PRODUCES WEIJING AND TIAN TAN BRANDS) AND
GILI WAS GIVEN A TOUR OF THIS FACILITY.

17. GILI WAS ACCOMPANIED BY ANOTHER FRANKLIN AGENT,
HENRIQUE WEIL, OF DENSON ENTERPRISES HONG KONG, WHO ALSO
HOPED TO SEE CAAC AND MACHIMPEX CONCERNING THE POSSIBLE
SALE OF FMC AIRPORT
GROUND EQUIPMENT AND NAVIGATION AIDS
IN CHINA.

18. M. FLAX, INC. - MR. AND MRS. HARVEY FLAX SPENT
SEVERAL DAYS IN PEKING AT THE INVITATION OF THE LIGHT
INDUSTRIAL PRODUCTS CORPORATION PURCHASING PAINTS, BRUSHES
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PAGE 04 PEKING 01577 02 OF 02 192158Z

AND OTHER

PAINT SUPPLIES FOR THEIR RETAIL STORE IN LOS ANGELES. AFTER LEAVING PEKING THE COUPLE PLANNED TO VISIT BRANCH CORPORATIONS AND FACTORIES IN TIENTSIN, CHANGHAI AND CANTON.

19. MERIDIAN ENTERPRISES - TIEN HO MA WINN, WIFE OF THE VICE PRESIDENT OF MERIDIAN ENTERPRISES' BRUSSELS OFFICE, VISITED PEKING IN EARLY JULY TO PURCHASE SMALL QUANTITIES OF CHINESE HARDWARE AND TO SELL VACUUM EQUIPMENT. SHE INITIALLY INTENDED TO OFFER OLYMPIC SWIMMING POOLS, BUT ABANDONED THE IDEA SHORTLY AFTER HER ARRIVAL.

20. INFORMATION CONTAINED IN THIS CABLE, PARTICULARLY IN THE SUMMARY, AND PARAS 2, 4, 5, 6, AND 7 IS HIGHLY SENSITIVE COMMERCIALY AND SHOULD NOT BE DISCUSSED OUTSIDE THE U.S.G.
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